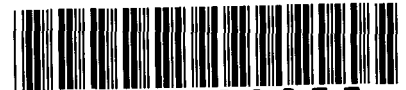


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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF)
GOODMAN WATER COMPANY, AN ARIZONA)
CORPORATION, FOR (i) A DETERMINATION)
OF THE FAIR VALUE OF ITS UTILITY PLANT)
AND PROPERTY AND (ii) AN INCREASE IN)
ITS WATER RATES AND CHARGES FOR)
UTILITY SERVICE BASED THEREON.)

DOCKET NO: W-02500A-10-0382

**NOTICE OF FILING OF
CORRECTIONS TO PREPARED
DIRECT TESTIMONY OF
LAWRENCE WAWRZYNIAK**

Attached for filing in the above-captioned and docketed proceeding are corrected pages 3, 4, 7 and 8 to the Direct Testimony of Lawrence Wawrzyniak. Copies of the attached corrected pages are concurrently being mailed to each of the parties in the aforesaid proceeding.

RESPECTFULLY SUBMITTED this 10th day of August, 2011.

Lawrence Wawrzyniak

Arizona Corporation Commission

DOCKETED

AUG 11 2011

DOCKETED BY

39485 S. Mountain Shadow Dr.
Tucson, AZ 85739

Phone: (520) 825-6672

E-mail: LWawrzyniak05@comcast.net

ORIGINAL and Thirteen (13)
copies of the foregoing to be
filed the 21st day of March 2011
with Docket Control.

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

1
2 A copy of the foregoing Notice will
3 be emailed or mailed this same date:
4

5 Jane L. Rodda, Administrative Law Judge
6 Hearing Division
7 Arizona Corporation Commission
8 400 West Congress, Suite 218
9 Tucson, AZ 85701
10

11 Janice Alward, Chief Counsel
12 Legal Division
13 Arizona Corporation Commission
14 1200 W. Washington Street
15 Phoenix, AZ 85007
16

17 Ayesha Vohra
18 Attorney, Legal Division
19 Arizona Corporation Commission
20 1200 W. Washington Street
21 Phoenix, AZ 85007
22

23 Steven Olea, Director
24 Utilities Division
25 Arizona Corporation Commission
26 1200 W. Washington Street
27 Phoenix, AZ 85007
28

29 Daniel Pozefsky
30 Chief Counsel
31 Residential Utility Consumer Office
32 1110 West Washington, Suite 220
33 Phoenix, AZ 85007
34

35 Lawrence V. Robertson, Jr., Esq.
36 Goodman Water Company
37 P.O. Box 1448
38 Tubac, AZ 85646
39

40 James Schoemperlen
41 39695 S. Horse Run Dr.
42 Tucson, AZ 85739

1 **I. INTRODUCTION, QUALIFICATIONS AND PURPOSE**

2 **Q1. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A1. My name is Lawrence Wawrzyniak. My home address is 39485 S. Mountain
4 Shadow Dr., Tucson, AZ 85739.
5

6 **Q2. PLEASE INDICATE ANY UNIQUE QUALIFICATIONS.**

7 A2. I have been a member of the Eagle Crest Ranch Homeowners Advisory Committee
8 (HEAC) since 2006 and serving as HEAC Chairman in 2008 and 2009. I am
9 currently as Chairman of the Landscape and Maintenance Committee. The HEAC
10 advises the Declarant controlled HOA Board.
11

12 **Q3. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

13 A3. I reside in the Eagle Crest Ranch Sub-Division (ECRS) and as a customer of
14 Goodman Water Company (GWC) represent myself as a ratepayer. I will testify
15 against the water rate increase.
16

17 **II. OVERVIEW OF INTERVENOR'S TESTIMONY**

18 **Q4. WHAT ARE THE ISSUES AS YOU PERCEIVE THEM?**

19 A4. I see two issues:

- 20 1. GWC took a business risk to build infrastructure to support Phase V-A, V-B and
21 IV-C homes and expansion to be built outside of the ECRS which resulted in excess
22 capacity to serve the current homeowners of Eagle Crest Ranch. Home Building
23 Phases I, II A-B, III-A-B, and IV-A-B (total of 626 lots or 65% of ECRS lots) were
24 approved for service by the Arizona Department of Environmental Quality (ADEQ)
25 using existing water plant infrastructure in place since the last rate review set forth
26 in ACC Docket No. W-02500A-06-0281 Decision No 69404. GWC also wants us
27 to pay for support of future development of Commercial property (332 EDU) within
28 ECRS by calculating storage capacity based on 2,000 gpm commercial fire flow vs.
29 1000 gpm residential fire flow rates. The ACC has stated that the GWC system has
30 a capacity to support 1,800 homes. (See ACC Document 116091, as A1 attached).
31 ECRS has a platted capacity of 891, a potential 17 non-platted lot in Phase IV-A, 10

1 non-platted lots in Phase V-A and one lot number 487 not shown on the Plat Maps
2 along with an additional 38 non-platted lots in Phase 6 for a total of 957 lots and
3 73.6 acres of Commercial property in Tracks A-F and N. (See ECRS Lot Display
4 Map, as A2 attached). The fact that the market has stalled and Goodman was left
5 with overbuilt infrastructure should not result in the current rate payers having to
6 support it or pay for depreciation on excess capacity. It amounts to a financial
7 bailout.

- 8
- 9 2. The increase in water rates will significantly increase the disparity of water rates for
10 homeowners and their surrounding neighboring communities which affect home
11 resale values. GWC is the highest cost water service in Pinal County for company's
12 with 500-1000 customers according to a 2009 Water Infrastructure Finance
13 Authority of Arizona (WIFA) Report Exhibit E, Page 28. (See WIFA Report pages
14 15-22, 25, 28, 30 as A3 attached).

15

16 **Q5. WHAT WAS THE HISTORY OF THE PHASED DEVELOPMENT OF**
17 **EAGLE CREST RANCH SUBDIVISION?**

- 18 A5. Goodman Ranch Associates, ECRS's initial developer obtained Plat Approval on
19 10/24/2000, shown as Tracks A-N. See Final Plat Eagle Crest Ranch Tracks A
20 through N, as A4 attached) I have also attached a Lot display map of ECRS. (See
21 Eagle Crest Ranch Lot Display, as A2 attached. note: the lot summary incorrectly
22 shows a count of 45 extra 45 ft .lots in Phase IV-B)

23

24 Correspondingly, GWC also looked to build the water plant in Phases. They filed a
25 plan with the Arizona Corporation Commission on December 20, 2001 under
26 Docket W-2500A-02-0435.

27

28 D. R. Horton Homes obtained Final Plat Approval from Pinal County on 12/18/01
29 as the Owner of Phase I Lots 1-218. (See A5 attached). Building of homes began
30 and 24 homes were occupied by year end 2002 followed by 105 homes in 2003, 75
31 homes in 2004, 7 homes in 2005, 5 homes in 2006 and 2 homes in 2007. The 2006

1 **Q8. PLEASE CONTINUE WITH YOUR HISTORY OF THE PHASED BUILD**
2 **PROCESS.**
3

4 A8. All of the homes in Phase III-A were occupied by the end of 2005. Phase III-B saw
5 15 homes occupied by year end 2005 and the remaining 27 homes were occupied
6 by year end 2006. (See Eagle Crest Ranch Phase III-A lots, as A14 and III-B, as
7 A15 attached).

8
9 Since the Phase III-B homes were located on a dead end cul-de-sac. GRFD required
10 that Automatic Fire Sprinkler systems be installed in all homes in this Phase
11 regardless of size. (See GRFD Letter last paragraph dated June 28, 2004, as A12
12 attached).

13
14 The Final Plat for ECRS Phase IV-A was approved by Pinal County on 9/11/06. It
15 included Lots 478-480, 490-505, 515-617. (See Final Plat for Eagle Crest Ranch
16 Phase IV-A, as A16 attached). This Phase was split into IV-A Lots 478-480, 490-
17 505, 515-590 that were on 45 ft. and 60 ft. lots and IV-B Lots 591-617 being 70 ft.
18 lots. There were 62 homes occupied in Phase IV-A and 7 homes in Phase IV-B by
19 Year End 2007. This made up 49% of the 140 total platted lots in this Phase. (See
20 Eagle Crest Ranch Phase IV-A, as A17 and IV-B, as A18 attached).

21
22 **Q9. WHY DO YOU BELIEVE WATER PLANT #3 IS EXCESS CAPACITY?**
23

24 A9. It is my opinion that GWC had sufficient capacity to serve Phase IV-A and IV-B as
25 GWC's first date of water service was 2/22/2007 as indicated in their response to
26 Intervenor data Request No 3.02.(See A18A attached) GWC finally received an
27 Approval of Construction on 5/2/2007 in ADEQ File No. 20060126. GWC did not
28 receive Approval of Construction on Water Plant #3 until 1/22/08 in ADEQ File
29 No. 20060727. To this point in time a total of 626 lots or 65% of ECRS lots of
30 which 545 of these lots were built and occupied leaving 81 lots to be built which
31 were included in the existing water plant capacity before Water Plant #3. It should

1 be noted that of the remaining 81 not occupied lots at year end 2007, five (5) were
2 devoted to sales and eighteen (18) were not platted leaving a net 58 available lots.

3
4 The way the Phased build process in ECRS was occurring, it is my opinion that
5 Water Plant #3 was built to solely support the future development of Building
6 Phases V-A, V-B and IV-C, future Commercial property development (332 EDUs)
7 and another potential development Eagle Crest Ranch West (ECR West) as
8 described in ACC Docket No. W-02500A-05-0443, Decision No. 68444 dated
9 2/6/2006. GWC acknowledges expanding the water storage tank in Water Plant #3
10 by 190,000 gallons for this project. GWC accepted the risk of the cost (\$73, 250)
11 for this extra capacity but not the risk for even building Water Plant #3. I question
12 whether a prudent business decision was made based on whether or not they would
13 have the added revenue stream from completed houses to pay for it. GWC withdrew
14 their application for ECR West on 4/2/2010 as motioned in ACC Docket No. W-
15 2500A-05-0443, Document No. 109740. In support of this, I also reference ACC
16 Document No. 116091 (See A.1) where the ACC Staff determined that "this water
17 plant site would not benefit the entire water system".
18

19 **Q10. PLEASE CONTINUE WITH THE HISTORY OF THE PHASED BUILD**
20 **PROCESS.**
21

22 A10. The Final Plat for Phase V was approved by Pinal County on 5/22/07. (See Final
23 Plat for Eagle Crest Ranch Phase V as A19 attached). It included Lots 719-816,
24 823, and 828-920. This Phase has been divided into Phase V-A and V-B where
25 Phase V-A is composed of 60 ft. lots numbered 729-869 at the base of the hill (See
26 A20 attached) and Phase V-B are 70 ft. lots numbered 870-920 at the top of the hill
27 where Water Plant # 3 is located. (See A21 attached) D. R. Horton built three
28 models in Phase V-A on Lot Numbers 866-868 in late 2007 which were
29 subsequently sold. All together only 16 lots out of 202 or 8% of Phase V-A & V-B
30 are built. D. R Horton sold the remaining Lots and Declarant Rights to CRVI H-
31 AZCO, LLC in the fourth quarter of 2008. CRVI H-AZCO, LLC has subsequently